

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-02 RSC-01 PRS-01 SP-02 SS-15

USIA-15 AID-05 EB-07 CIEP-02 TRSE-00 STR-04 OMB-01

CEA-01 FEA-01 INT-05 AGR-10 TAR-01 /103 W

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P R 141710Z NOV 74

FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC PRIORITY 8052

INFO AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

UNCLAS BRIDGETOWN 1984

E.O. 11652: N/A

TAGS: EGEN BB

SUBJ: PM TO PRESENT EMERGENCY BUDGET

REF: BRIDGETOWN 0619

1. RADIO AND PRESS REPORTS STATE THAT PM ERROL BARROW WILL PRESENT AN EMERGENCY BUDGET TO HOUSE OF ASSEMBLY ON THURSDAY, NOVEMBER 21. NEWS ARTICLES STATE THAT THIS WILL BE FIRST OCCASION IN ISLAND'S HISTORY THAT GOVERNMENT HAS PRESENTED A SECOND BUDGET WITHIN ONE FISCAL YEAR. CURRENT SPECULATION IS THAT AN INCREASINGLY SERIOUS WORLD ECONOMIC SITUATION HAS NECESSITATED EMERGENCY BUDGET WHICH MAY CONTAIN NUMBER OF REVENUE-RAISING MEASURES (E.G. INCREASED CIGARETTE, RUM TAXES) TO OFFSET GROWING DEFICIT IN GOB CURRENT ACCOUNTS. SOME FEEL THAT EMERGENCY BUDGET MAY ALSO CALL FOR ANTI-INFLATIONARY ACTIONS SUCH AS INCREASED GASOLINE TAXES TO CUT PETROLEUM CONSUMPTION AND POSSIBLY NEW RESTRICTIONS ON IMPORT OF LUXURY FOODS AND OTHER GOODS.

2. APRIL - AUGUST REVENUES FOR 1974 SHOW DEFICIT OF US DOLS 1.25 MILLION IN CURRENT ACCOUNT AS AGAINST DOLS 2.2 MILLION
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SURPLUS FOR SAME PERIOD IN 1973. AUGUST 1974 EXPENDITURE/REVENUE

FIGURES, HOWEVER, SHOW DEFICIT JUMPING TO DOLS 4.1 MILLION. PRINCIPAL CAUSES OF WORSENING BUDGETARY SITUATION ARE A STAGGERING INFLATION (1974 RETAIL PRICE INDEX ROSE 30.4 PERCENT FROM DECEMBER 31, 1973 THROUGH SEPTEMBER), HIGHER FUEL BILLS (OIL IMPORTS DURING FIRST HALF OF 1974 WERE UP 265 PERCENT IN VALUE) AND LESS REVENUE THAN EXPECTED FROM MEASURES INTRODUCED LAST APRIL (BRIDGETOWN 0640).

3. CENTRAL BANK SOURCES REGARD AUGUST JUMP IN GOB DEFICIT AS "MATTER FOR CONCERN" BUT BY NO MEANS AN INDICATION OF "DEEP FINANCIAL TROUBLE", AN ACCUSATION MADE IN MEDIA BY OPPOSITION AND CERTAIN COMMENTATORS. THEY POINT OUT THAT BARBADOS HAS MADE NO USE OF ITS IMF GOLD FRANCHISE OR SPECIAL DRAWING RIGHTS AND DOES NOT EXPECT TO RESORT TO SUCH MEASURES.

4. COMMENT: GOB DEFINITELY NEEDS TO ADJUST BUDGET TO INCREASE REVENUES BUT THERE DOES NOT APPEAR TO BE ANY CRISIS SITUATION AT THIS TIME. PM'S TAXATION AND REVENUE MEASURES IN APRIL WERE CHIEFLY DISTINGUISHED BY THEIR RELATIVE MILDNESS COMPARED TO THOSE OF OTHER REGIONAL COUNTRIES FACING FUEL/INFLATIONARY CRISIS. CERTAINLY TAX INCREASES ON TOBACCO, RUM AND GASOLINE WOULD BE MEASURES ACCEPTABLE TO POPULATION AT LARGE AND WOULD PROBABLY NOT HAVE SIGNIFICANTLY ADVERSE IMPACT ON INFLATION. SUFFICIENTLY LARGE GASOLINE TAX MAY EVEN TEND TO DECREASE CONSUMPTION AND HELP REDUCE COSTLY PETROLEUM IMPORTS. THERE IS SOME CONCERN IN BUSINESS COMMUNITY THAT PM WOULD INTRODUCE ADDITIONAL RESTRICTIONS ON IMPORTS. RESTRICTIONS INTRODUCED IN APRIL HAVE HAD SOME ADVERSE IMPACT ON HOTELS AND FRANCHISES USING IMPORTED FOODS (E.G. LAMB, POTATOES, ETC.). TO SUMMARIZED BRIEFLY, WE SEE NO CRISIS SITUATION DEVELOPING. GOB DOES HAVE SOME BUDGETARY PROBLEMS WHICH IT IS PREPARING TO CONFRONT WITH ADDITIONAL TAXATION OF LIMITED SORT. WE DO NOT FORESEE ANY ONEROUS OR EXTREME MEASURES IN EMERGENCY BUDGET.

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